

Senate Committee
on
Budget and Fiscal Review

SUBCOMMITTEE 4
State Administration, General Government,
Judicial, Public Safety,
and Transportation

MAJOR ACTION
REPORT

June 11, 2008

Senate Bill 1067
2008-09 Budget Bill

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SUBCOMMITTEE No. 4

LEGISLATIVE, EXECUTIVE, JUDICIAL BRANCH, TRANSPORTATION, PUBLIC SAFETY, and GENERAL GOVERNMENT

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TRANSPORTATION

2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved \$37,000 (special funds) to support the addition of two Commissioners as mandated by AB 1672 (Chapter 717, Statutes of 2007).
- Approved \$100,000 (special funds) to pay for consulting services related to High-Occupancy-Toll (HOT) lanes. Assembly Bill 1467 (Chapter 32, Statutes of 2006) sets out procedures that could result in up to four new HOT lanes in the state.

2640 STATE TRANSIT ASSISTANCE

- Augmented funding proposed by the Governor from \$306 million to \$494 million. This funding level corresponds to full “non-spillover” funding for State Transit Assistance. Most of the “spillover” funding, which is gasoline sales taxes above Proposition 42 revenue, is directed to GF relief totaling \$1.1 billion.
- Approved Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding of \$350 million.

Trailer Bill Language(Proposition 1B)

Added placeholder trailer bill language to implement the PTMISEA Prop 1B program in 2008-09.

2660 DEPARTMENT OF TRANSPORTATION

- Approved Prop 1B bond funding of \$3.6 billion for the following bond categories that are budgeted directly in the California Department of Transportation (Caltrans) budget (figures include state operations, local assistance, and capital outlay):
 - \$1,555 million for Corridor Mobility Improvement Account (CMIA)
 - \$996 million for the State Transportation Improvement Program (STIP)
 - \$417 million for Trade Corridors Improvement Fund
 - \$214 million for State Highway Protection and Preservation Program (SHOPP)
 - \$200 million for State Local Partnership
 - \$64 million for Grade Separation
 - \$103 million for State Route 99
 - \$21 million for Local Bridge Seismic
 - \$72 million for Intercity Rail

This funding level ties to what the Administration requested for allocations in 2008-09, adjusted for legislative changes in the areas of administration and engineering support. Other Prop 1B bond

appropriations are in the budgets of State Transit Assistance (Transit); the Office of Emergency Services (Security); and the Air Resources Board (Air Quality and School Bus Retrofit).

Budget Bill Language(Proposition 1B)

1. Added budget bill language stating legislative intent that Proposition 1B funds for Intercity Rail be spent prudently and expeditiously, and requiring Caltrans to report progress no later than January 1, 2009.

Trailer Bill Language(Proposition 1B)

1. Added placeholder trailer bill language to implement the State Local Partnership Prop 1B program.
- Approved full Proposition 42 funding of \$1.432 billion in 2008-09. The budget also includes a \$83 million Prop 42 loan repayment per the requirements of Proposition 1A of 2006.
 - Augmented transit funding for Caltrans by \$129 million, relative to that proposed by the Governor. With this higher funding level, Caltrans should be able to move forward on \$65 million in State Transportation Improvement Program (STIP) transit capital projects and avoid the necessity for a \$60 million loan from the Traffic Congestion Relief Fund (TCRF) to the Public Transportation Account (PTA). This loan would place TCRF-funded projects at risk.
 - After the legislative transit restorations of \$188 million in the State Transit Assistance budget and \$129 million in the Caltrans budget, the budget retains \$1.1 billion in GF relief from “spillover” funds. The spillover revenue, which is gasoline sales taxes above Proposition 42 revenue, is directed to GF relief as follows:
 - \$607 million to reimburse the GF for transportation-related general obligation bond debt.
 - \$276 million to reimburse the GF for Home-to-Schools transit.
 - \$147 million for regional center transportation budgeted in the Department of Developmental Services.
 - \$83 million to reimburse the GF for the Proposition 42 loan repayment.
- Conforming action included an amendment to Control Section 24.85 that implements the Home-to-Schools transit reimbursement, and implementing trailer bill language.
- Shifted a portion of Capital Outlay Support (COS) engineering workload from contractors to state staff for a savings of \$10 million. The final allocation of COS workload is 90 percent state staff and 10 percent contractors. Directed the savings be applied to the State Highway Account (SHA), to the extent possible, so that the SHA would have additional resources for maintenance and State Highway Protection and Preservation Program (SHOPP) work.
 - Approved the use of Clean Renewable Energy Bonds (CREBs) for \$20 million to fund 70 photovoltaic projects on Caltrans building facilities. CREBs are a federal energy program to encourage solar energy. The bonds have a zero-percent interest rate and energy cost savings are expected to be sufficient to fund debt service.

- Approved the use of Grant Anticipation Revenue Vehicle (GARVEE) bond funding of \$141 million to move forward on critical State Highway Operations and Protection Program (SHOPP) projects. GARVEEs are a federal program and the bonds are repaid with future federal funds.
- Approved \$19.6 million (special funds) over three years to implement the Pavement Management Program, which will improve data and forecasting of pavement deficiencies and allow Caltrans to make better investment decisions. Over a 8-year period, cumulative savings from better pavement planning and investments are expected to be \$118 million.
- Approved new appropriations or reappropriations for the following information technology projects (total multi-year cost is indicated): Integrated Financial Management System (\$40.4 million); Construction Management System (\$20.4 million); Project Resourcing and Schedule Management System (\$16.6 million); and Roadway Design Software (\$10.4 million). Rejected new funding for information technology acquisition staff, and added Supplemental Report Language related to the discontinued Transportation Permits Management System project.
- Approved \$15.1 million (special funds) to replace and retrofit equipment to conform to air quality mandates.
- Rejected funding of \$1.1 million (special funds) and 5.0 positions for the Office of Strategic Planning and Performance Measures – planning and performance measures should be part of any department’s base activities.
- Approved funding of \$2.7 million (special funds) for Americans with Disability Act (ADA) compliance transition plan and complaint resolution / investigation. Rejected \$800,000 for litigation contract costs, because Caltrans should be able to absorb this cost in its \$80.4 million Legal Program budget.
- Approved \$5.0 million (special funds) for additional litter cleanup along state highways. Rejected \$2.0 million (special funds) for an anti-litter media campaign.
- Approved \$2.3 million (special funds) for worker safety equipment and added Supplemental Report Language related to the use of the equipment.
- Approved multiple budget requests related to State Personnel Board (SPB) decisions. The SPB found that Caltrans was contracting for services beyond what statute allows. The budget changes reduced contract services and increased state staff by 75.5 positions in the areas of equipment and building maintenance – net budget savings of \$1.7 million (special funds) result.
- Approved the Caltrans public safety radio budget request for \$32.2 million (special funds) over five years to expand the high-band radio system into the three Caltrans districts that still operate with the low-band legacy radio system. The new system would improve radio operability within Caltrans and improve inter-operability with public safety entities such as the California Highway Patrol.
- Approved funding of \$179,000 (special funds) and 2.0 new positions to fully implement the federally-mandated Disadvantaged Business Enterprise (DBE) Race-Neutral Measures Program for construction contracting.
- Reduced budget funding by \$7.8 million (special funds) for three pilot projects approved in prior years, but for which statutorily-required reports were overdue at the time of the hearing. These pilot projects were: Owner-Controlled Insurance Program; Virtual Traffic Monitoring Stations; and Corridor System Management Plans.

- Rejected a \$100.0 million reduction in the State Highway Operations and Protection Program (SHOPP) appropriation that was requested due to declining gasoline excise tax revenue. To the extent possible, Caltrans should direct saving from legislative budget reductions in other areas, and direct efficiency gains and other internally-produced savings, to the SHOPP program so activities can be continued at the budgeted level.
- Approved new funding of \$21.3 million (special funds) for the increased price of fuel.
- Approved a total funding of \$14.9 million (a \$3.5 million increase) for rail heavy equipment overhall and total funding of \$86.3 million (a \$6.6 million increase) for operating costs related to the three intercity passenger rail services that Caltrans operates in cooperation with Amtrak. These activities are funded from the Public Transportation Account.
- Rejected a Public Transportation Account (PTA) augmentation for University of California research that would increase the funding amount from \$980,000 to \$6.0 million, due to the existing strain on transit revenues.
- Approved funding of \$10 million for the Environmental Enhancement and Mitigation Program.
- Approved funding of \$7.2 million for Bicycle Transportation Account grants.
- Approved authority for the Aeronautics Division to obtain a loan of \$1.2 million to replace the 1969 Beechcraft Bonanza model "E-33" Debonair aircraft with a new aircraft. Caltrans operates two aircraft in support of its mission to inspect general aviation airports and make related safety evaluations.
- Rejected proposal for \$238.1 million in loans from transportation funds to the GF. Loans were proposed from the State Highway Account (\$200.0 million); the Bicycle Transportation Account (\$6.0 million); the Local Airport Loan Account (\$14.9 million); Motor Vehicle Fuel Account (\$8.0 million); Environmental Enhancement and Mitigation Program Fund (\$4.4 million); Historic Property Maintenance Fund (\$3.0 million); and Pedestrian Safety Account (\$1.8 million).

Trailer Bill Language

1. Approved placeholder language to implement the transit funding allocations.
2. Approved placeholder language to continue and expand Caltrans' ability to manage cashflow issues through short-term loans.
3. Approved language to shift federal funds for new Caltrans staff to conform to new federal reporting requirements.

2665 HIGH SPEED RAIL AUTHORITY

- Approved total funding of \$46.4 million for the Authority, but decreased Public Transportation Account funding by \$6.1 million and increased High Speed Rail Bond funding by \$6.1 million. The approved budget includes \$29.1 million from the High Speed Rail Bond, which will only be available for expenditure if voters approve the bond act on the November 2008 ballot.
- Deleted proposed budget bill language to earmark \$8.2 million in expenditures for the Sacramento / Fresno segment.

2700 OFFICE OF TRAFFIC SAFETY

- Approved as budgeted – expenditures of \$96.3 million federal funds.

2720 CALIFORNIA HIGHWAY PATROL

- Approved the Governor's request to increase vehicle registration fees by \$11 to bring the Motor Vehicle Account into balance and support the existing and expanding number of California Highway Patrol (CHP) Officers.
- Approved 120 new Officer positions, but shifted the new positions authority to 2009-10 because existing vacancies, and constraints on the size of new academy classes, will not allow the CHP to fill any of the new positions in 2008-09.
- Rejected funding of \$3.4 million (special funds) and 35 new positions related to the new officer positions or to base deficiencies. These were determined to not be critical given existing officer vacancies and the number of support positions added in the past two years.
- Approved 2008-09 funding of \$103.5 million for the five-year \$500 million public safety radio system approved with the 2006 Budget Act. Reverted \$3.7 million in current year funding, and decreased funding for 2008-09 by \$12.8 million to conform to the revised project plan.
- Shifted funding for tactical alerts from \$10 million in the main CHP item of appropriation to a new emergency "non-add" appropriation also of \$10 million. This action separately schedules this expenditure for improved transparency and also treats it as an "emergency" authority versus a planned expenditure. Tactical alerts involve placing Officers on 12-hour shifts to enhance CHP presence in times of emergency or high security risk.
- Approved various budget requests for new facility leases or construction of new state-owned CHP facilities.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved the Governor's request to increase vehicle registration fees by \$11 to bring the Motor Vehicle Account into balance and support the existing and expanding number of California Highway Patrol Officers.
- Shifted \$120 million in Vehicle License Fee (VLF) revenue to local governments to support In-Home Supportive Services (IHSS) funding realignment. The VLF is a local in-lieu property tax that DMV collects on behalf of local governments. The DMV's cost recovery is more appropriately set at 10 percent of revenue instead of the current 15 percent (DMV would still retain VLF funding of \$240 million). The shift provides GF relief. Additionally, increased Motor Vehicle Account (MVA) funding by \$120 million to keep DMV whole. The MVA expenditures come out of the reserve in 2008-09, but a registration fee increase of about \$4 would likely be necessary in 2009-10 to backfill for the revenue shift.

- Approved year three funding of \$32.6 million (special funds) for the Department of Motor Vehicles (DMV) Information Technology Modernization project. The DMV reported that the primary vendor contract cost was \$76 million below estimates, resulting in total project costs being revised down to about \$166 million.
- Rejected a funding request for \$6.5 million (federal funds) for Real ID demonstration projects. No federal grants were awarded to DMV at the time of the request, and no legislation has been approved in California to implement Real ID.
- Approved \$3.9 million and 10 positions in 2008-09 and \$17.5 million and 136 positions in 2009-10 to move in-house the information technology solution related to SB 1500 (Chapter 920, Statutes of 2004). This legislation requires each insurer that issues private passenger automobile liability policies to electronically report to the DMV all issued policies, changes, and terminations; and requires DMV to suspend vehicle registrations if insurance is not in force.
- Approved various budget requests for new facility leases or construction of new state-owned DMV facilities.
- Rejected a proposal for a \$8.0 million loan from the Motor Vehicle fuel Account to the GF.

8530 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN

- Approved \$367,000 and 0.5 positions to support increased legal expenses and conduct a comprehensive review of current practices and processes related to incident review, navigation technology, and pilot fitness. The Board has been in the news recently due to the November 2007 collision of the COSCO BUSAN tanker with the tower of the Bay Bridge, which resulted in an oil spill.

STATE ADMINISTRATION

0502 OFFICE OF THE CHIEF INFORMATION OFFICER

- Approved the Office of the Chief Information Officer budget, including the use of the Administration's Central Services Cost Recovery plan to support agency costs.

0510 SECRETARY FOR STATE AND CONSUMER SERVICES

- Approved a 10-percent GF budget reduction, which was \$191,000 and no reduction to positions after the central-services funding realignment.

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Approved a 10-percent GF budget reduction, which totaled \$776,000. The reduction was spread proportionally across several programs as follows: Film Commission \$120,000; Tourism \$110,000; Small Business Loan Guarantee \$481,000; Office of Military and Aerospace Support \$55,000; and Technology, Trade and Commerce Agency closure costs \$10,000.
- Rejected funding of \$162,000 GF and one new position for broadband promotion.
- Rejected funding of \$2 million GF and 0.5 positions for the San Joaquin Valley Partnership.
- Approved funding of \$446,000 (special fund) and 5 new positions for the Infrastructure Bank. These numbers incorporate a legislative reduction of \$219,000 and 2 positions. Approved trailer bill language to improve the existing Infrastructure Bank report requirement.
- Approved a request to transfer dormant housing and childcare-facility special funds back to the General Fund, but directed the Administration to score the related \$2.7 million in the revenue system. These programs were originally funded with GF appropriations in 1997-98 and 2001-02, but the deteriorating GF condition in 2001-02 lead to the discontinuation of the programs.
- Rejected a request for trailer bill language to allow the use of dormant childcare-facility loan guarantee funds for administration of the Small Business Loan Guarantee Program. Instead directed that the dormant funds of approximately \$1.0 million be transferred back to the GF.
- Eliminated the Office of Office of Military and Aerospace Support (formerly the Office of Military Base Retention and Reuse) for GF savings of \$502,000. The primary mission of this Office, when created, was to fight California military base closures in the federal Base Realignment and Closure (BRAC) process. There are currently no new BRAC rounds scheduled.

0650 OFFICE OF PLANNING AND RESEARCH

- Approved a \$431,000 GF Budget-Balancing Reduction (BBR) for the State Planning and Policy Development Program, whose major activities include: (1) policy research for the Governor and Cabinet; (2) recommending and implementing state policies with regard to land-use and growth planning, including joint use land planning with the military; (3) providing technical advice to local governments with regard to planning; and (4) advising permit applicants and government agencies on provision of the California Environmental Quality Act (CEQA) and operates the State Clearinghouse for environmental and federal grant documents.
- Denied the proposed \$127,000 GF BBR for the California Volunteer Matching Network (CVMN), and instead denied continuation of the CVMN altogether, including 3.0 positions and \$766,000 GF.
- Denied 4 positions and \$537,000 GF for preparation of draft guidelines (state regulations) for the mitigation of greenhouse gas emissions pursuant to CEQA and Chapter 185, Statutes of 2007 (SB 97). The Administration was encouraged to carry out the intent of the legislation using existing resources.
- Deleted 1 position and \$107,000 GF transferred from the Governor's Mentoring Partnership in the Department of Alcohol and Drug Programs to the Office of Planning and Research.

Trailer Bill Language

1. Approved language to suspend the Cesar Chavez Grant Program for two years, resulting in annual savings of \$5 million GF. The program was previously suspended for three years in bad budgetary times beginning in Fiscal Year 2002-03.

0690 OFFICE OF EMERGENCY SERVICES

- Approved \$1.9 million General Fund to backfill Mutual Aid Program reduction proposed in the Governor's budget, keeping the program whole to 2007-08 funding level. The Governor's budget proposed to backfill the reduction with the Wildland Firefighting Initiative.
- Denied request for \$10.2 million in 2008-09 and \$9.7 million ongoing from the Insurance Fund, which would have provided 11 positions, 131 new fire engines, increased maintenance baseline, and backfilled only the \$1.9 million reduction to Mutual Aid. The Insurance Fund was never established.
- Approved \$1,291,600 federal funds, as part the Public Safety Interoperable Communication (PSIC) Grant to double the amount of bandwidth for the Operational Area Satellite Information System (OASIS), a satellite system that provides redundant voice communications in the event that the Public Switch Telephone Network fails. Approved \$209,000 General Fund for the required 20% match.
- Approved \$2,184,000 federal funds, as part of the PSIC Grant to replace failing or obsolete telecommunications equipment used to respond to, and coordinate in, emergencies. Approved \$546,000 General Fund for the required 20% federal match.

- Approved \$4,018,000 federal funds for state operations, related to an increase in the Emergency Management Performance Grant (EMPG). Existing resources will be used for the match.
- Approved \$3,967,000 one-time federal funds for emergency preparedness programs, related to an EMPG supplement.
- Approved \$3,647,000 federal funds for one-time local assistance related to an increase in the EMPG.
- Denied request for \$1,647,000 General Fund and 19 permanent positions in the 3 regional offices, for administrative oversight and coordination of mutual aid, and direct service delivery.
- Approved \$786,000 in 2008-09 and 7 permanent positions, as well as \$772,000 in 2009-10 federal funds from an increase in the Mitigation Grant.
- Denied \$20.1 million of ongoing funding for the California Multi-jurisdictional Methamphetamine Enforcement Teams (Cal-MMET) local assistance grants. Approved the original program baseline of \$9.5 million, and made grants competitive.
- Denied the May Revision Letter proposing the creation of the Emergency Response Initiative (ERI). This May Revision proposal was in lieu of the initial Wildland Firefighting Initiative. The ERI would establish a two-tier fee structure on residential and commercial insurance policies based on hazard zone designations, and create an Emergency Response Account administered by OES.
- Denied request for \$963,000 General Fund in 2008-09 and \$23.6 million General Fund in 2009-10 for new Southern California Regional Operation Facility.
- Denied request for \$230,000 General Fund to continue the Alert and Warning system and bring its management in-house.
- Denied \$173,000 General Fund to increase headquarters maintenance baseline and equipment purchases. Approved \$25,000 General Fund for a dedicated A/C unit in the IT server room.
- Denied request for \$1.1 million from the Victim/Witness Assistance Fund to permanently continue the Parole Revocation Victim Advocacy Program.
- Denied request for \$1 million ongoing from the Restitution Fund for a local assistance grant program focused on the investigation and prosecution of Internet crimes against children.
- Denied \$1,278,000 General Fund and 7 positions to expand the Office of Gang and Youth Violence Policy (OGYVP). OGYVP would be responsible for identifying and evaluating state, local, and federal gang and youth violence suppression, intervention, and prevention programs and strategies.
- Approved \$57 million in Proposition 1B funds to provide grants to assist ports in preparing for, responding to, and protecting against acts of terrorism. In addition, for purposes of clarity, budget language was adopted to insure funding is allocated in a manner consistent with Chapter 181, Statutes of 2007 (SB 88).
- Approved \$100 million in Proposition 1B funds to provide grants to assist transit operators, as specified, for security and disaster response, and in preparing for, responding to, and protecting against acts of

terrorism. In addition, for purposes of clarity, budget language was adopted to insure funding is allocated in a manner consistent with Chapter 181, Statutes of 2007 (SB 88).

0840 STATE CONTROLLER

- Accepted the Governor's revised \$1.1 million GF Budget-Balancing Reduction. The savings will be achieved by reducing expenditures for Operating Expenses and Equipment.
- Reduced by \$7.9 million GF the Governor's request to fund the sixth year of the Human Resources Management System (HRMS)/21st Century Project. Based on a revised project plan, the HRMS is now anticipated to require an additional year and \$40 million (\$21.3 GF) to complete. Under the new plan, costs originally scheduled for Fiscal Year (FY) 2008-09 will not be incurred until the out years. Therefore, the Senate approved a final funding level of \$30.4 million (including \$10.9 GF). Additionally, the Senate approved \$969,000 GF to reimburse unallowable HRMS costs that were charged to the federal government in FYs 2005-06 and 2006-07. The state may only receive reimbursement for those costs after the system is fully operational.
- Approved conversion of GF appropriations for Unclaimed Property Program (UCP) functions to Unclaimed Property Fund (UPF) appropriations. If unclaimed by the rightful owner, monies in the UPF are ultimately revenue to the GF. Therefore, this conversion neither helps nor harms the state's bottom line, but will serve to "insulate" the UCP from any future GF reductions.
- Approved 4.5 two-year limited-term positions and \$444,000 GF to support the maintenance and operations of the Local Government E-Claims system.
- Approved a total of 19 positions and \$2.3 million (reimbursements from various funds) for the SCO to conduct audits of: (1) the California Department of Transportation's expenditure of Proposition 1B funds and (2) the local trust accounts of various California State University campuses.

0845 DEPARTMENT OF INSURANCE

- Denied the Governor's proposed Trailer Bill Language to create a Firefighting Safety Account within the Insurance Fund and to require the CDI to impose on insurers an annual assessment of 1.25 percent of the premium for each commercial and residential insurance policy.
- Denied a one-time increase of \$4 million (Insurance Fund) to assist district attorneys (DAs) in combating workers' compensation fraud. Although the increase is fully funded by an additional assessment on insurers, there was insufficient evidence that the local assistance is being put to its highest and best use (to address the most egregious fraud) by the DAs.
- Approved 5 positions and \$475,000 (Insurance Fund) to address workload stemming from revised automobile rating regulations associated with Proposition 103.
- Denied proposed Trailer Bill Language to delete the January 1, 2010, sunset of the Life and Annuity Consumer Protection Program. The request was deemed premature because it was supported by only one year of data on the program.

- Approved a Finance Letter request of \$2.8 million (Insurance Fund) to support the first year of a three-year procurement of an enterprise electronic management “paperless” workflow system.
- Approved \$137,000 (Insurance Fund) to extend the term of 3 limited-term positions for the Telecommunications Infrastructure Replacement Project. This extension will allow ample time to collect empirical data to determine the ongoing resources required to support the Voice Over Internet Protocol/Call Center systems.

Trailer Bill Language

- 1. Adopted placeholder language requiring the department to provide a full accounting to the Legislature of the activities of the Conservation and Liquidation Office.

0850 STATE LOTTERY COMMISSION

- Did not hear the Governor’s proposal to modernize the Lottery and securitize the anticipated increased revenue.

0860 STATE BOARD OF EQUALIZATION

- Approved various “tax-gap” proposals that will result in a net revenue gain of \$53.4 million to the General Fund and a net revenue gain of \$56.4 million to special funds. The revenue gain for these proposals also grows in 2009-10. Included in these proposals are the following:
 - Statewide Compliance and Outreach – approved an augmentation of \$11.6 million (\$7.5 million GF) and 112 positions to identify and register non-compliant sellers. A revenue gain of \$60.2 million (\$37.9 million GF) results.
 - Various Tax-Gap Measures – approved an augmentation of \$13.9 million (\$8.8 million GF) and 134.5 positions to collect more taxes that are due but not paid. A revenue gain of \$43.0 million (\$27.7 million GF) results. Rejected two research positions and \$232,000 related to this request.
 - Cigarette and Tobacco Programs - approved an augmentation of \$3.0 million (\$238,000 GF) and 33 positions for enhanced enforcement and compliance activities for cigarette and tobacco product tax programs. A revenue gain of \$30.1 million (\$1.5 million GF) results.
 - Agricultural Inspection Station Program - approved an augmentation of \$1.4 million (\$800,000 GF) and 16 positions for enhanced enforcement and compliance activities at inspection stations located at the state’s borders. A revenue gain of \$6.4 million (\$3.6 million GF) results.
- Approved \$4.7 million (\$1.7 million GF), and 3 positions to expand electronic filing options. This is a multi-year proposal and the six-year cost is expected to be \$16.5 million with a six-year revenue benefit of \$27.6 million.
- Reduced funding by \$1.4 million GF to reflect anticipated efficiency savings from electronic filing initiatives.

0890 SECRETARY OF STATE

- Approved and allocated the Governor's proposed \$3.5 million GF Budget-Balancing Reduction by reducing printing and mailing costs associated with the Voter Information Guide (see trailer bill language below).
- Approved \$42.3 million (federal funds) under the revised spending plan for the Help America Vote Act (HAVA). Additionally, consistent with the HAVA plan, approved 10 positions and \$38.8 million federal funds to replace the existing CalVoter statewide voter database with a more centralized and technologically advanced VoteCal database. The new system is currently anticipated to be deployed in December 2009.
- Subject to Budget Bill Language and Trailer Bill Language (see below), approved a Finance Letter request for \$89.6 million GF to fund the counties' costs to conduct the early presidential primary required under Chapter 2, Statutes of 2007 (SB 113).
- Approved \$101,000 GF to carry out parallel monitoring of direct recording electronic voting systems (consistent with Chapter 501, Statutes of 2007—SB 917).
- Denied 1 position and \$92,000 GF for archival planning and management of California Supreme Court and Appellate Court records. Without prejudice to the need, this proposal did not rise to the level of priority necessary to receive new funding given current fiscal constraints.
- Denied \$167,000 GF for voter registration costs associated with implementation of Chapter 481, Statutes of 2007 (SB 854). Without prejudice to previous legislative intent, this proposal did not rise to the level of priority necessary to receive new funding given current fiscal constraints. The department was encouraged to resubmit the request in the future under improved fiscal conditions.

Trailer Bill Language

1. Adopted language permitting the Secretary of State to alter the format of the Voter Information Guide and to mail only one guide per address.
- 2. Adopted placeholder language requiring the SCO to audit the counties' early presidential primary costs.

0950 STATE TREASURER'S OFFICE

- Approved a 10-percent GF budget reduction, which was \$506,000 and 5 positions after the central-services funding realignment.
- Approved two budget requests that increased funding by \$216,000 and 2 positions to generate additional earnings through better management of investments. The expected GF revenue gain is \$6.3 million in 2008-09.
- Approved two budget requests that increased funding by \$318,000 (reimbursements) and 4 positions to address increased workload for services provided to local agencies and other State departments.
- Approved \$269,000 (reimbursements) for 2.5 new information technology support positions to improve security and develop new applications and enhancements.

- Rejected loans totaling \$24.0 million from various special funds to the GF.
- Approved \$108,000 GF and 1 position to better manage cash disbursements and therefore reduce borrowing and interest costs.
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1100 CALIFORNIA SCIENCE CENTER

- Approved a 10-percent GF budget reduction for the Science Center, which was \$1.5 million and 11 positions.
- Approved a 10-percent GF budget reduction for the California African American Museum (CAAM), which was \$249,000 and no change in positions.
- Rejected \$2.1 million GF for working drawings for the CAAM facility renovation and expansion project, due to the GF shortfall.
- Approved various budget changes related to the new coliseum lease with the City of Los Angeles, including an augmentation of \$115,000 (lease revenue) for maintenance and security improvements. Additionally, shifted \$655,000 from GF expenditures to new lease revenue funds on a one-time basis, to continue the same level of activity but generate one-time GF savings of \$655,000.

1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS

- Rejected funding of \$1.3 million (various special funds) for a media campaign to educate consumers on the risks of conducting business with unlicensed practitioners and service providers.
- Rejected loans totaling \$116.5 million from various special funds to the GF.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

- Partially approved the Governor's proposed \$1.9 million GF Budget-Balancing Reduction. Restored 9.5 positions and \$1 million in order to maintain current discrimination-complaint processing capabilities and to mitigate an increased backlog.

1705 FAIR EMPLOYMENT AND HOUSING COMMISSION

- Approved the Governor's proposed \$117,000 GF Budget-Balancing Reduction.

1730 FRANCHISE TAX BOARD

- Approved various "tax-gap" proposals that will result in a net revenue gain of \$118 million to the General Fund. The revenue gain from these proposals also grows in 2009-10. Included in these proposals are the following:

- Board-Adopted Request – approved an augmentation of \$6.5 million GF and 68.5 positions to collect more taxes that are due but not paid. A revenue gain of \$22.0 million GF results. The new staff are directed to activities in the areas of fraud prevention and detection, audit workload growth, and compliance behavior analysis.
- Administration January Request – approved an augmentation of \$9.9 million GF and 138.7 positions for various tax-gap initiatives. A revenue gain of \$71.0 million GF results. The new staff are directed to activities in the areas of automobile registration data analysis, non-filer identification, IRS data analysis, and collection program workload. Additionally included is statutory change to require mandatory electronic payment for high-income taxpayers (annual tax liabilities in excess of \$80,000) and to require FTB to accept payment by phone for affected individuals.
- Administration April Finance Letter - approved an augmentation of \$2.6 million GF and 38.5 positions for analysis of IRS Revenue Agent's Reports and collection of inactive accounts receivable. A revenue gain of \$35.0 million GF results.
- Administration May Finance Letter - approved an augmentation of \$1.1 million GF and 16.25 positions to contact an additional 60,000 non-filers. A revenue gain of \$9.0 million GF results.
- Legislative Analyst Alternatives – approved an augmentation of \$600,000 and 10 positions to address out-of-state audit workload and modify statute in the area of group filing for non-residents. A revenue gain of \$2.0 million results.
- Approved \$3.9 million (Court Collection Fund) and 56.5 positions to support the continuation and expansion of the Franchise Tax Board's program to collect court-ordered debt. The cost of this program is fully paid out of the collections (no GF). The collection of court-ordered debt supports county accounts, the State Restitution fund, Victims-Witness Assistance fund, and in some cases the GF.
- Approved April Finance Letter to shift the California Child Support Automation System funding and staff from the Franchise Tax Board (FTB) to the Department of Child Support Services (DCSS). This information technology project was implemented by FTB on behalf of DCSS, and the project plan has always included a shift to DCSS upon project completion.
- Approved \$1.2 million (\$1.1 million GF) to replace three existing encoders, which process checks and money orders.
- Approved multi-year funding of \$7.3 million GF for the Withhold at Source System information technology project, that will replace a system that processes non-wage withholding payments.
- Approved new funding of \$27,000 (\$14,000 GF) and redirected funding of \$440,000 GF for information technology data security improvements.
- Approved funding of \$178,000 GF and 3.0 limited-term positions to process refunds related to a lawsuit on Limited Liability Corporation fees.
- Took no action (rejected) May Finance Letter proposal to accelerate the fee payment due date for Limited Liability Corporation. The proposed acceleration would increase 2008-09 GF revenue by \$360 million on a one-time basis.

1760 DEPARTMENT OF GENERAL SERVICES

- Accepted deferral of Capitol maintenance and repair by approving the Governor's \$794,000 GF Budget-Balancing Reduction.
- Approved 7 positions and \$740,000 (Schools Facilities Fund) for the Office of Public School Construction (OPSC) to address increased School Facilities Program workload associated with school bond dollars provided under Propositions 1D, 55, 47, and 1A. The approved funding will also enable the OPSC to establish an automated and integrated audit information system for school bond expenditures.
- Denied 2 positions and \$217,000 GF for the Emergency Repair Program (ERP) due to concern that Williams Settlement funding in the immediate future will be insufficient to justify additional positions. Additionally, denied Trailer Bill Language to shift ERP audit responsibilities to the counties.
- Approved various "earthquake safety" capital outlay projects funded from the Earthquake Safety Public Buildings Rehabilitation Fund of 1990. Denied Trailer Bill Language that would have authorized a new, \$800 million earthquake safety bond measure to be put before the voters, and denied the capital outlay projects that were to be funded from the proposed bond proceeds.
- Approved \$3.3 million GF to refund federal unallowable costs that were incurred in FYs 2002-03, 2003-04, and 2004-05 when the GF appropriation that covers certain services and costs of the Legislature and the Governor's Office was eliminated.
- Re-appropriated \$43.7 million (Service Revolving Fund) and augmented funding by \$16 million for Library and Courts Building Renovation. Due primarily to the unanticipated need to relocate staff from the building during renovation, the project will take longer and cost more than originally anticipated.
- Adopted a new control section (see Control Section 4.70 below) to address a \$27.2 million Architecture Revolving Fund deficit.

1880 STATE PERSONNEL BOARD

- Approved a 10-percent GF budget reduction, which was \$201,000 and 1 position after the central-services funding realignment.
- Approved multiple budget requests that related to the State Personnel Board's role in qualifying candidates for peace officer jobs. Funding of \$1.3 million (reimbursements) and 13 positions were approved, but Supplemental Report Language was added to monitor the workload.
- Rejected multiple budget requests that related to staffing deficiencies in the general administrative area, due to the budget situation. Funding of \$1.0 million (reimbursements) and 9.5 positions were rejected to reduce pressure on GF departments that would have to partially fund the costs.
- Approved \$234,000 (reimbursements) and 2 positions for information technology support to gain efficiencies in testing and management for state hiring.
- Approved \$242,000 (reimbursements) and 3 positions to support training performed under agreement with other state departments.

1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- Approved multiple budget requests totaling \$1.9 million (Contingency Reserve Fund) and 13 positions to improve the CalPERS oversight and management of healthcare contracts for public employees. These proposals are expected to result in cost savings or cost avoidance in excess of the cost.
- Rejected multiple budget requests totaling \$704,000 (Contingency Reserve Fund) and 6 positions for various administrative functions that were not expected to result in any direct cost savings or avoidance. About one-third of the Contingency Reserve Fund comes from the GF.

1920 STATE TEACHERS' RETIREMENT SYSTEM

- Approved placeholder trailer bill language to revise the purchasing power projection benefit for retired teachers. An actuarial analysis suggests the benefits could be increased from 80 percent to 85 percent of purchasing power protection and the state GF contribution can be reduced by \$66 million. This proposal was supported by the California Retired Teachers' Association. As part of this package, annual state contributions to CalSTRS were scheduled for November and April to aid cash management, and payment of interest related to a lawsuit were deferred until after 2008-09. State contributions to CalSTRS will total \$1.1 billion GF.

1955 DEPARTMENT OF TECHNOLOGY SERVICES

- Approved provisional language requested in a Finance Letter to authorize the Department of General Services to enter into a long-term lease with purchase option for a new Central California data center. The Department of Technology Services (DTS) plans to move a portion of its operations from the current Cannery location to a more secure, state-of-the-art facility that lies outside the Sacramento area and the 100-year floodplain. The new location would provide back-up to the existing Gold Camp data center.
- Approved the Governor's proposal to decrease expenditures by \$23.4 million in the budget year to align appropriations with the ongoing costs of related projects.
- Approved 9 positions and \$8.7 million (DTS Revolving Fund) to purchase and upgrade existing enterprise data storage capacity and safeguard customer data in order to meet the anticipated growth needs of more than 450 customers.
- Approved \$3.2 million (DTS Revolving Fund) to replace phased-out hardware and accommodate network growth.
- Approved 4 positions and \$4.3 million (DTS Revolving Fund) to purchase mainframe processing capacity in order to meet projected workload increases and upgrade software.
- Approved 11 positions and \$14.7 million (DTS Revolving Fund) to replace aging servers and expand capacity to address customer needs.

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved a fee increase of 3.28 percent that ties to the Consumer Price Index. The department has a structural deficit that requires correction.
- Approved an April request to reappropriate funds for the Licensing and Compliance System information technology project, but reduced 2008-09 funding by \$1.2 million (special fund) to conform to the Special Project Report.
- Rejected a \$1.0 million reduction (special fund) in the Grant Assistance Program (GAP), which supports local law enforcement of alcoholic beverage laws. The Administration's request related to the aforementioned structural deficit, but the Legislature believed the \$1.2 million in budget savings related to the information technology project would allow for full GAP funding.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Approved multiple requests totaling \$2.2 million (special funds) and 22 new positions in the Credit Union Program to improve examinations with respect to reviewing subprime lending, electronic financial services, and business loans.
- Approved \$128,000 (special funds) and 1 new position in the Banking Program to implement SB 385 (Chapter 301, Statutes of 2007) that requires financial institutions to comply with the federal guidance on nontraditional and subprime mortgage products.
- Approved \$1.0 million (special funds) and 9 new positions to address workload growth in the Money Transmitter Program.
- Approved \$1.1 million (special funds) for relocation of the San Francisco office.
- Rejected a loan of \$1.5 million from the special fund to the GF.

2180 DEPARTMENT OF CORPORATIONS

- Approved request for \$500,000 (special funds) and 4 new positions in the Lender-Fiduciary Program to improve the oversight of financial institutions in the areas of sub-prime lending, but the Legislature changed the positions from limited-term to permanent.
- Approved request for \$500,000 (special funds) and 4 new positions in the Investment Program to improve the oversight of broker dealers and investment advisors that sell collateralized mortgage obligations to the investing public, but the Legislature changed the positions from limited-term to permanent.
- Rejected a loan of \$1.5 million from the special fund to the GF.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Approved Proposition 1C (Housing and Emergency Shelter Trust Fund Act of 2006) bond funding for the following bond categories that are budgeted directly in the Department of Housing and Community Development's budget (excluding support costs):
 - \$50 million for the CalHome Program.
 - \$40 million for the California Homeownership Program (BEGIN).
 - \$3 million for the Self-Help Housing Program.
 - \$95 million for the Affordable Housing Innovation Fund.
 - \$101 million for the Multifamily Rental Housing Program.
 - \$78 million for Supportive Housing.
 - \$15 million for Homeless Youths.
 - \$40 million for Serna Farmworker Loans/Grants.
 - \$24 million for Emergency Housing Assistance.
 - \$300 million for Infill Incentive Grants.
 - \$140 million for Transit-Oriented Development.
 - \$30 million for Housing Urban-Suburban and Rural Parks

The funding levels indicated above include two legislative adjustments: funding for the Infill Incentive Grant Program was increased from \$200 million to \$300 million; and Transit-Oriented Development was increased from \$95 million to \$140 million. Additionally, the Senate deleted both the Governor's January 10 and May Revise Trailer Bill Language proposals for the Housing Urban-Suburban and Rural Parks Program, and adopted its own language instead (see below). The Senate also approved 5 two-year limited-term positions and \$559,000 to implement new Proposition 1C Affordable Housing Innovation Fund programs authorized by Chapter 652, Statutes of 2007 (SB 586).

- Approved Budget-Balancing Reductions totaling \$508,000 GF affecting the following areas: (1) Employee Housing; (2) Community Development Block Grants; (3) Enterprise Zone Program; (4) Administration and Program Support; (5) State Housing Law; and (6) Housing Element.
- Denied the following Budget-Balancing Reductions: (1) Emergency Housing Assistance Program (\$401,000 GF); and (2) Office of Migrant Services (\$343,000). Approved Budget Bill Language to enable the Administration to decrease Office of Migrant Services GF support commensurate with the level of any federal funding received for the same purpose.
- Approved 2 two-year limited-term positions and \$222,000 (bond funds) to address increased workload in the Housing Element Law program resulting from the passage of Proposition 1C.
- Approved 3 two-year limited-term positions and \$351,000 (various special funds) to perform workload associated with Chapter 658, Statutes of 2007 (SB 707) and certain changes in regulation associated with extension of loan terms for affordable housing loans.
- Approved 1 two-year limited-term positions and \$111,000 (special fund) to implement a new senior-restricted housing component of the Multifamily Housing Program, as authorized by Chapter 618, Statutes of 2007 (AB 927).
- Denied 3 two-year limited-term positions and \$343,000 GF for implementation of Chapter 537, Statutes of 2007 (AB 1406), Chapter 532, Statutes of 2007 (AB 1560), and Chapter 369, Statutes of 2007 (AB

162). Without prejudice to previous legislative intent, these proposals did not rise to the level of priority necessary to receive new funding given current fiscal constraints. The department was encouraged to resubmit the requests in the future under improved fiscal conditions.

Trailer Bill Language

- 1. Adopted language to implement a competitive Housing Urban-Suburban and Rural Parks Program that would award Proposition 1C funds to localities that issue permits for low-income housing and are “parks underserved.”

2400 DEPARTMENT OF MANAGED HEALTH CARE

- Approved as budgeted, including continuation of \$196,000 (special fund) to support 2 expiring limited-term positions in the area of Health Plan Oversight.

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted, including 10-percent GF budget reduction.

8320 PUBLIC EMPLOYEE RELATIONS BOARD

- Approved a portion of the requested budget reduction including trailer bill language to shift fact-finding costs from the Public Employee Relations Board (PERB) to negotiating parties. Total approved reductions were \$170,000 GF and 3 positions. Reject the proposed consolidation to eliminate one of the three service offices (restored the related \$140,000 to the PERB budget).

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Approved a 10-percent GF budget reduction, which was \$1.0 million and no change in positions after the central-services funding realignment.
- Approved the Administration’s request to eliminate the Rural Health Care Equity Program supplemental payment to annuitants for savings of \$5.5 million GF.
- Reduced the funding and positions requested for processing anticipated position reductions and/or layoffs from \$3.0 million GF (and 28.5 positions) to \$1.2 million GF (and 10 positions). This was intended as placeholder funding, so the appropriate staffing could be further refined in Conference Committee.
- Approved requested funding of \$2.9 million (special funds) for 9 positions and contract services for the Human Resources Modernization Project. This funding mechanism adds special funds to base GF revenue to continue this important modernization without incurring an addition GF cost. Added Supplemental Reporting Language.
- Approved funding of \$263,000 (reimbursements) to fund higher external laboratory testing costs for drug tests related to peace officer hiring.

- Approved multiple requests totaling \$1.2 million (special fund) for contractor costs related to the Savings Plus Program and the Alternative Retirement Program. These costs are fully paid by program participants.

8500 BOARD OF CHIROPRACTIC EXAMINERS

- Approved \$503,000 (special funds) and 4 new positions to convert investigative workload from contractors to state staff, and to expand the scope of investigative work to enhance consumer protection.
- Conformed to Assembly reporting language to require the Board to report to the Legislature by March 1, 2009, regarding implementation of Bureau of State Audit recommendations.

8620 FAIR POLITICAL PRACTICES COMMISSION

- Denied the Governor's proposed \$825,000 GF Budget-Balancing Reduction due to concerns that the resulting decrease in oversight could adversely affect public confidence in a political process that is free of improper influence of public officials.

8640 POLITICAL REFORM ACT OF 1974

- Denied the Governor's proposed \$275,000 GF Budget-Balancing Reduction due to concerns that the resulting decrease in oversight could adversely affect public confidence in a political process that is free of improper influence of public officials.

8780 MILTON MARKS "LITTLE HOOVER" COMMISSION

- Approved a 10-percent GF budget reduction for the Commission, which was \$98,000 and no change in positions.

8820 COMMISSION ON THE STATUS OF WOMEN

- Approved a 10-percent GF budget reduction for the Commission, which was \$59,000 and 0.6 positions.

8855 BUREAU OF STATE AUDITS

- Denied the Governor's proposed \$1.6 million GF Budget-Balancing Reduction due to concerns that constraining the bureau's ability to conduct discretionary and follow-up audits could cost the state more money than it saves by significantly reducing fiscal oversight of state agencies and programs.

8860 DEPARTMENT OF FINANCE

- Approved \$1.5 million (\$1.2 million GF) to fund a 15 percent increase in compensation for staff in Budgets and a 10 percent increase in compensation for staff in the Office of State Audits and Evaluations and the Fiscal Systems Consulting Unit.
- Rejected \$35.7 million GF and 238 permanent positions to support a revised special project report for a comprehensive statewide financial system named the Financial Information System for California (FI\$Cal). Ultimately, the projected total cost of this project is \$1.3 billion (of which \$788 million GF).
- Denied the transfer of \$3.3 million GF and 29 positions from the Office of Technology Review, Oversight and Security (OTROS) to a newly created Office of the Chief Information Officer (OCIO).
- Approved \$132,000 GF and one position to provide oversight to the Department of Corrections and Rehabilitation and coordination within the Administration on Corrections litigation issues.
- Approved \$696,000 (non-GF) and five additional positions for the Fiscal Systems and Consulting Unit (FSCU). In addition, the funding for FSCU will be realigned to reflect the statewide service it provides. The proposal results in a General Fund savings of \$249,000.
- Approved \$654,000 GF to support the Public Employee Post-Employment Benefits Commission.
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8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

- Approved the LAO recommendation for implementing the Financial Information System for California (FI\$Cal), a “Next Generation” Enterprise Resource Planning (ERP) System. The purpose of this project is to create and implement a new statewide financial system which will encompass the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, and human resources management.
- The funding for this multi-year project would come from a combination of Bond Anticipation Notes (BANs) and Certificates of Participation (COPs). Issuing BANS, would fully fund Fi\$Cal through 2011-2012. In 2012, state departments and agencies benefiting from Fi\$Cal would begin to “purchase” COPs out of their appropriated budgets. Initial borrowing is limited to \$277 million, which will fund the project through its first three years. In 2012-13, there will be a year-long pause for legislative review.
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8885 COMMISSION ON STATE MANDATES

- Approved a 10-percent GF budget reduction, which was \$168,000 and 1 position.
- Rejected a proposal to defer payment of \$75 million GF for old mandate claims (pre-July 2004 claims) to 2009-10. Note, this proposal is separate from a proposal adopted in the Special Session to defer payment of 2007-08 claims, also at \$75 million GF, to 2009-10.

- Reduced the requested funding for 2006-07 mandate claims from \$64 million GF to \$11 million. The revised funding levels ties to an updated estimate of the State obligation for these claims.

8910 OFFICE OF ADMINISTRATIVE LAW

- Approved the Governor's revised \$165,000 GF Budget-Balancing Reduction. In order to achieve the savings, the office will reduce spending on services, printing, communications, postage, repairs, maintenance of equipment, and purchase of new equipment.

8940 MILITARY DEPARTMENT

- Approved Budget-Balancing Reductions totaling \$4.5 million GF affecting the following areas: (1) Army National Guard; (2) Air National Guard; (3) Office of the Adjutant General; (4) Military Support to Civil Authority; (5) Military Retirement; (6) State Military Reserve; and (7) Youth Programs. The Senate denied an \$119,000 Budget-Balancing Reduction to the California Cadet Corps, and instead denied a proposed increase of 1 position and \$185,000 GF for the program.
- Denied 1 position and \$1.8 million GF (and \$3.6 million ongoing) to establish a new California National Guard Education Benefit Program. The Senate also denied the Governor's proposed Trailer Bill Language to implement the program, and instead directed the department to pursue the program through SB 1752 (Wyland) and the policy process. At the time the item was heard, SB 1752 contained language identical to that proposed by the Administration in the Governor's Budget.
- Denied 43 positions and \$9.2 million (Insurance Fund) for 24/7 Aviation Response Staffing and aerial firefighting equipment (including helicopters). This proposal was part of the Governor's Wildland Firefighting Initiative (see also the Department of Insurance for the funding mechanism), and was subsequently withdrawn by the Administration in the May Revise and replaced by the Emergency Response Initiative (ERI). The ERI did not contain a FY 2008-09 component for the Military Department.
- Approved approximately \$600,000 GF for Joint Operations Center Staffing to maintain 24/7 response capability in the event of a disaster or special security event. Denied 8.0 positions and \$717,000 GF due to limited GF. The original request would have completely backfilled expiring federal funding that has allowed the state to maintain a historic-high response capability.
- Approved 6 limited-term positions and \$800,000 (reimbursement authority) for planning, training, and all-hazard emergency planning in support of the Governor's Office, Office of Emergency Services, and Office of Homeland Security (OHS). Additionally, approved 13.0 limited-term positions and \$7.5 million (reimbursement authority) to execute a continuing interagency agreement with the OHS to provide homeland security terrorism training and exercise activities. Also, approved 14.0 limited-term positions and \$2.1 million (reimbursement authority) to execute an interagency agreement with OHS to establish two Critical Infrastructure Protection Teams to assess designated sites and develop recommendations to mitigate vulnerabilities.

9100 TAX RELIEF

- Rejected the Administration's 10-percent GF cut to the Senior Citizen Renters' Tax Assistance Program. The proposed cut would have reduced all benefit payments by 10 percent and resulted in total GF savings of \$15.0 million.
- Rejected the Administration's 10-percent GF cut to the Senior Citizen Property Tax Deferral Program. The proposed cut would have reduced payments by 10 percent and resulted in total GF savings of \$2.6 million.
- Modified the Administration's 10-percent GF cut to the Senior Citizens' Property Tax Assistance Program by rejecting the 10-percent across-the-board payment reduction and instead lowering the maximum income from \$42,800 to \$33,000 and reducing grants by 45 percent. This approach saves \$18.5 million versus the Administration's approach that would save \$4.1 million. The overall action on this issue and the above two bullets correspond to a Legislative Analyst recommendation on these three programs, which would maintain the existing benefit levels for the lowest income and lowest asset group of taxpayers, but achieve a similar savings level to the Administration. Approved implementing trailer bill language.
- Reduced Subventions for Open Space / Williamson Act grants from the \$34.7 million GF proposed by the Administration (after a \$3.9 million GF 10-percent proposed reduction) to a total new funding level of \$1,000 to place the issue in the Conference Committee.

9210 LOCAL GOVERNMENT FINANCING

- Eliminated funding for discretionary local law enforcement grant programs because these programs represented a small portion of the total law enforcement budget, and the GF condition does not allow for continued funding of discretionary local grant programs. Total GF saving of \$263 million, as follows:
 - Eliminated funding for the Citizens' Option for Public Safety / Juvenile Justice Crime Prevention grant programs for GF savings of \$214 million.
 - Eliminated funding for the Small and Rural Sheriffs Grant Program for GF savings of \$17 million.
 - Eliminated funding for the Booking Fee Program for GF savings of \$32 million.
- Reduced funding for Redevelopment Agency Special Supplemental Subventions to \$500,000 for GF savings of \$300,000 (including the \$100,000 10-percent reduction proposed by the Administration). This was based on an updated analysis of likely costs.
- Reduced funding for Property Tax Disaster Relief Funding to \$789,000 for GF savings of \$88,000 (conforming to the \$88,000 10-percent reduction proposed by the Administration). This reduction was based on an updated analysis of likely costs.
- Approved a Legislative Analyst recommendation to recover \$98 million in GF overpayments to school districts that were revealed by a recent State Controller's audit. The audit revealed that certain Redevelopment Agencies withheld required property tax transfers to schools and that certain schools underreported property tax revenue to the State.

9350 SHARED REVENUES

- Reduced funding for Trailer Vehicle License Fees (VLF) Backfill to \$10.7 million for GF savings of \$1.2 million (conforming to the \$1.2 million 10-percent reduction proposed by the Administration). This funding flows to the Local Revenue Fund to support county-provided healthcare.
- Eliminated funding for discretionary Tideland Oil Revenue payments to local governments because the GF condition does not allow for continued funding of discretionary local grant programs. Total GF saving of \$462,000 results (including the \$46,000 10-percent reduction proposed by the Administration).

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

- The budgeted amount for General Obligation Bond debt service is \$4.3 billion GF. However, the GF is partially reimbursed from special funds – receiving \$378 million from the Transportation Debt Service Fund.

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved funding of \$1.2 billion GF for the 2008-09 cost of health and dental benefits provided to annuitants. Note, about \$560 million of this GF cost is recovered from special funds and federal funds through the pro-rata / SWCAP process.
- Approved funding of \$36.5 million in federal subsidies from the prescription-drug, Medicare Part-D benefit, to offset state costs for retiree healthcare.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Pursuant to an Administration May Revision request, deleted budget funding totaling \$420 million GF over 2007-08 and 2008-09 to implement the Last, Best, and Final Offer (LBFO) to the California Correctional Peace Officers' Association (CCPOA). The Legislature additionally deleted \$70 million over the same two years to remove funding for the health-care inflation component of the LBFO. To date, no policy bill has been introduced to implement the LBFO.
- Approved May Revision adjustments to the cost estimates for this item.

9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIES

- Reduced funding for contingencies to \$44.1 million for GF savings of \$4.9 million (conforming to the \$4.9 million 10-percent reduction proposed by the Administration).

CONTROL SECTIONS

3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- Adopted revised rates for the six retirement classes, pursuant to the California Public Employees' Retirement Board adoption of new rates in May 2008. The final estimates for the State's retirement contributions in 2008-09 are \$2.8 billion, including GF costs of \$1.5 billion.

4.44 BUDGET REDUCTIONS

- As requested by the Administration, deleted this control section and approved the scheduling of the \$9.1 billion in proposed GF reductions to individual department budgets. Each individual reduction was then acted upon separately by the Legislature.

4.70 ARCHITECTURE REVOLVING FUND DEFICIT RECOVERY

- Added a control section to implement the Governor's plan to recover the \$27.2 million deficit in the DGS Architecture Revolving Fund (ARF). At least half of the deficit is to be collected directly from departments that incurred the costs, while the remainder would be collected as part of a surcharge on specified new ARF projects over the next five fiscal years. The control section requires the DGS to report annually on progress toward recovering the deficit and prohibits the Administration from establishing a reserve in the ARF (for the purpose of funding otherwise "unfunded" projects).

15.25 APPROPRIATION ADJUSTMENTS TO REFLECT TECHNOLOGY SERVICE RATE CHANGES

- Accepted Finance Letter to authorize the Director of Finance to adjust appropriation items to reflect cost changes resulting from new Department of Technology rate adjustment packages.

35.20 ACCRUAL ACCOUNTING

- Rejected the proposal to accrue \$1.8 billion of September 2009 revenue to June 2009 to increase 2008-09 revenues by \$1.8 billion. This was proposed as a permanent accounting change. It would not accelerate the actual receipt of cash, but would produce a one-time accounting shift that reflects on paper as a revenue gain in 2008-09.

35.50 BUDGET STABILIZATION ACCOUNT (BSA)

- Via Executive Order S-05-08, dated May 28, 2008, the Governor suspended the September 30, 2008, transfer from the General fund to the Budget Stabilization Account. Absent this suspension, \$3.0 billion would be transferred from the GF to the BSA with half of that amount used for early repayment of Economic Recovery Bonds. The Constitution grants the Governor authority to suspend this transfer by executive order. The Legislature approved this control section that provides technical definition of the BSA.

35.80 CASH MANAGEMENT

- Approved placeholder control section language to continue discussion of the Administration's cash management proposal in Conference Committee. The Administration proposes to defer certain cash allocations within the 2008-09 fiscal year to reduce the Revenue Anticipate Note (RAN) borrowing. Full payment would still be made by the end of the fiscal year, and reduced RAN borrowing would reduce GF interest costs by \$54.8 million.

JUDICIARY

0250 Judicial Branch

- Approved \$70 million to fund growth to the trial courts in the budget year based on the California Consumer Price Index instead of the State Appropriation Limit (SAL). Approved funding this growth on a one-time basis from the trial court reserves.
- Approved reduction of \$71 million GF to reflect savings from deferring the appointment of 50 new judgeships until 2009-10. The action to defer the appointment of these judgeships by one year to June 2009 was approved as part of Chapter 6, Third Extraordinary Session, Statutes of 2008 (AB 8, Budget) in the Special Session on the budget called by the Governor. The Subcommittee took an additional action to defer the appointment of the 50 new judgeships by one additional month for additional savings.
- Approved reduction of \$17.4 million GF to defer by an additional year full implementation of the Conservatorship and Guardianship Reform Act of 2006 to increase court oversight over the conservatorship and guardianship system for elderly and dependent adults.
- Approved augmentation of \$20 million GF to address current funding shortfall for court security. Approved trailer bill language to: (1) establish statewide staffing standards; (2) base court security costs on average staffing costs; (3) create uniformity court-to-court for the cost of deploying a sheriff deputy by clarifying court-sheriff responsibility and standardizing costs, including making it clear that retiree health is not a state funding responsibility; and (4) establish a separate item for tracking and accounting for court security funding.
- Approved trailer bill language to authorize limited use of electronic reporting in family court, probate court, mental health court, and in laws and motions proceedings. Also authorized the courts to use electronic reporting for limited administrative purposes such as monitoring performance of subordinate judicial officers.
- Rejected \$1.5 million unallocated reduction to the Supreme Court. Rejected \$1 million in workload budget proposals for the Supreme Court. These workload budget proposals were withdrawn by the Judicial Branch given the state's fiscal condition.
- Rejected \$10.6 million unallocated reduction to the Courts of Appeal. Rejected \$700,000 in workload budget proposals for the Courts of Appeal. These workload budget proposals were withdrawn by the Judicial Branch given the state's fiscal condition.
- Rejected \$778,000 unallocated reduction to the Habeas Corpus Resource Center. Approved \$139,000 to provide additional litigation support for the legal defense of death row prisoners.

- Approved \$4.5 million unallocated reduction to the budget for the Judicial Council/Administrative Office of the Courts (AOC). Rejected \$2.8 million in workload budget proposals for the Judicial Council/AOC. These workload budget proposals were withdrawn by the Judicial Branch given the state's fiscal condition.
- Approved \$1.2 million unallocated reduction to the AOC's Office of Court Construction and Management and approved budget bill language to authorize additional expenditures from the Trial Court Facilities Construction Fund of up to \$1.2 million in the budget year after notification of the Joint Legislative Budget Committee.
- Approved \$6 million GF to continue the deployment of the Phoenix Project, which is the new statewide employment and financial information technology system being implemented by the Judicial Branch.
- Approved \$23 million unallocated reduction to the trial courts and authorized the courts to use reserve funding on a one-time basis to backfill this reduction. This unallocated reduction was needed to ensure that the combined actions taken by the Subcommittee resulted in savings of approximately \$246 million in the budget year, which is equivalent to what was proposed by the Governor.
- Approved \$113.4 million from the Court Facilities Construction Fund to fund preliminary plans, working drawings, and/or construction of 11 new courthouse projects in the following counties: Contra Costa, joint facility for Plumas and Sierra, Mono, Madera, San Bernardino, San Joaquin, Riverside, Tulare, San Benito, Calaveras, and Lassen. Approved trailer bill language to ensure the courthouse facilities being replaced transfer to the state before funding for construction of new courthouses is released.
- Rejected \$62 million from a new general obligation bond for acquisition of 4 new courthouse projects in the following counties: Tehama, Yolo, Butte, and Los Angeles.

0280 Commission on Judicial Performance

- Approved as budgeted, including a \$453,000 unallocated reduction.

0390 Contributions to the Judges' Retirement System

- Approved as budgeted.

PUBLIC SAFETY AND CRIMINAL JUSTICE

0820 Department of Justice

- Approved \$11.9 million GF reduction to eliminate vacancies at DOJ.
- Approved \$32 million GF reduction and commensurate increase in reimbursements to support the state forensic labs. Also approved budget bill language to direct the development of a fee schedule that (1) mitigates the high costs of complex investigations; (2) reflects the actual cost of providing the service; and (3) generates \$32 million. The budget bill language also allows the department to request that the Controller transfer a portion of the sales tax revenue allocated to local governments to pay outstanding bills not paid by local government entities.
- Approved \$2.3 million to increase staffing to defend the state in various correctional class action and civil lawsuits.
- Approved \$2.5 million GF to support additional staffing to defend the state in federal habeas corpus cases.
- Approved \$2.9 million GF to continue a class action lawsuit against insurance companies referred to as the *Underwriters* litigation. This litigation is against insurance companies that reneged on insurance coverage held by the state on the Stringfellow hazardous waste dump.
- Eliminated \$5.3 million GF for four Gang Suppression Enforcement Teams and approved budget bill language to allow the department to redirect internal law enforcement resources to continue to support this activity.
- Reduced by \$4.5 million GF support for the California Methamphetamine Strategy (CALMS) program, thereby reducing this program to its pre-2006 level. Also approved budget bill language to allow the department to redirect internal law enforcement resources to continue to support this activity.
- Eliminated \$3 million GF for the Spousal Abuse Protection Program and approved trailer bill language to transfer this program to the Office of Emergency Services and consolidate it with other vertical prosecution grants.
- Eliminated \$5 million GF for various executive programs including, Crime Violence Prevention Center, Office of Victim Services, and Office of Native American Affairs.
- Approved \$8 million transfer to the General Fund from the False Claims Act Fund.
- Approved \$1 million transfer to the General Fund from the Sexual Habitual Offender Program

Fund.

- Approved \$69 million transfer to the General Fund from settlement monies received from the Williams Energy Company.
- Replaced \$11.2 million GF supporting the DNA Program with increased revenues from the DNA Identification Fund.
- Approved reduction of \$3 million from the Restitution Fund for the Witness Protection Program and approved trailer bill language to increase the local match requirement for this program.

0855 Gambling Control Commission

- Approved \$1 million from the Special Distribution Fund to support the Commission's electronic gaming device inspection program.
- Rejected \$10 million loan from the Gambling Control Fund.

1690 Alfred E. Alquist Seismic Safety Commission

- Approved as budgeted.

1870 California Victim Compensation and Government Claims Board

- Approved \$80 million transfer to the General Fund from the Restitution Fund.

8120 Commission on Peace Officer Standards and Training

- Approved \$6 million unallocated reduction to the Commission by reducing the allocations from the Drivers Training Penalty Assessment Fund to the Peace Officers Training Fund.

8140 State Public Defender

- Approved \$591,000 GF reduction to the State Public Defender. This action restored \$623,000 that the Governor had proposed eliminating.

8180 Payments to Counties for Costs of Homicide Trial

- Reduced funding for this program to \$1,000 and direct that funding for warranted claims be paid through the supplemental appropriations process.

8550 California Horse Racing Board

- Rejected \$430,000 from the Fairs and Exposition Fund for support of pay increases to stewards and veterinarians.

CORRECTIONS AND REHABILITATION

5225 Department of Corrections and Rehabilitation

Corrections Reform Highlights

- Rejected Governor's budget balancing reduction proposal to release non-violent, non-serious, non-sex offenders up to 20-months early from prison. This proposal would have saved the state \$256.4 million GF in the budget year.
- Rejected the Governor's budget balancing reduction proposal to place non-violent, non-serious, non-sex offenders on summary parole. Offenders on summary parole would not be supervised in the community and could not be sent back to prison unless they were convicted of a new felony offense. This proposal would have saved the state \$173.6 million GF in the budget year.
- Approved trailer bill language to directly discharge non-violent, non-serious, non-sex offenders with no serious or violent priors from prison. Offenders directly discharged from prison would not be supervised in the community and could not be sent back to prison unless they are convicted of a new felony offense. This policy change could save the state \$249 million GF in the budget year, including operational savings related to jail beds, records staff, and parole revocation hearings.
- Approved trailer bill language to implement a policy of earned discharge from parole. Under this policy non-violent, non-serious, non-sex offenders with serious or violent priors would be eligible for parole after five months of clean time and violent and serious offenders would be eligible after 17 months of clean time. This policy change could save the state \$34.7 million GF in the budget year.
- Approved \$55 million to reduce parole ratios from 70:1 to 50:1 to reflect the change in the mix of offenders that will remain on parole if a policy of direct discharge is implemented.
- Approved trailer bill language to implement a diversion program in ten trial courts using a drug/mental health court model. This policy change could save the state \$20 million GF in the budget year.
- Approved budget bill language to direct the department to discharge early, from prison, non-violent, non-serious, non sex offenders that are infirmed consistent with existing law. Implementation of existing law could save the state \$15 million GF in the budget year.
- Approved trailer bill language to implement comprehensive credit reform that will: (1) establish consistent day-for-day credit earning status for offenders currently eligible for earning day-for-day credit; (2) authorize the department to reward enhanced credits up to four months total to

offenders that complete education, vocation, and rehabilitation programs; and (3) authorize the department to provide one month credit for every four months discipline free. This policy change could save the state \$150 million GF in the budget year.

- Approved trailer bill language to update thresholds for various property crimes to reflect inflation. This policy change could save the state \$100 million in the budget year.

Adult Population Highlights

- Approved reduction of \$11.4 million GF to support the projected decline in the adult inmate and parolee population for 2008-09. The average daily inmate population is projected to be 177,021 in the budget year. The average daily parolee population is projected to be 133,061 in the budget year.
- Approved \$2.2 million GF to fund the In-Custody Drug Treatment Program and Drug Treatment Furlough program in the budget year. These programs provide drug treatment in community facilities for parolees and inmates, respectively. Funding approved is \$6.8 million less than proposed by the Governor's May Revision to reflect a technical budgeting error.
- Approved \$12.8 million GF for the pre-activation and activation of the Northern California Reentry Facility in San Joaquin County. The department estimates that this facility will be activated in May 2009 and the first inmates will arrive in July 2009.
- Approved \$2.4 million GF for a contract with San Francisco County to provide re-entry services to 48 non-violent state prison inmates in the San Francisco County Jail. This contract will also provide for the provision of re-entry programming and support once the inmates are paroled.
- Approved \$29.9 million GF to place additional low-level female offenders in community correctional centers, expand the Female Offender Treatment and Employment Program, and activate additional residential multi-service centers and beds in smaller Sober Living Environments consistent with the Female Offender Master Plan.

Juvenile Justice Highlights

- Approved reduction of \$69.1 million GF to reflect the lower juvenile ward and parolee population expected in the budget year. The ward population is estimated to be 1,703 at the end of the budget year. The parolee population is estimated to be 2,175 at the end of the budget year. This total includes savings of \$4.3 million in the budget year to reflect a delay in contracting for secure placements for the female offenders currently residing in state Division of Juvenile Justice (DJJ) facilities. The total reduction is approximately \$7.8 million more than what was included in the Governor's May Revision reflecting the LAO's lower population estimate.
- Approved reduction of \$3.2 million Proposition 98 GF to support education at the DJJ facilities in the budget year. This item is contained in the population estimate.

- Approved \$3 million GF to fund a settlement reached in the *LH* lawsuit related to the due process of parole violators under DJJ jurisdiction.
- Approved \$1.6 million GF to continue implementation of the Safety and Welfare Remedial plan as directed under the *Farrell* lawsuit.
- Approved trailer bill language to extend the sunset date of the Commission on Juvenile Justice and budget bill language to reappropriate funding included in the 2007 Budget Act to support the Commission in the development of a Juvenile Justice Operational Master Plan.
- Approved \$2 million GF to support capital outlay to provide additional treatment space needed to comply with the *Farrell* lawsuit.

Rehabilitation Program Highlights

- Approved \$5.4 million GF appropriated in AB 900 to start training prison staff that play key roles in the rehabilitation process for offenders.
- Approved \$8.1 million GF appropriated in AB 900 to expand substance abuse treatment services to an additional 2,000 inmates and aftercare services to an additional 1,200 parolees.
- Approved \$6 million GF appropriated in AB 900 to expand the continuum of treatment services available to parolees with mental illness.
- Approved \$5.2 million GF appropriated in AB 900 to expand the department's initiative to assess inmates at intake and assign inmates to individualized treatment case plans based on their risks and needs.
- Approved \$3.6 million GF (\$681,000 GF appropriated in AB 900) to provide additional program support infrastructure for implementing the rehabilitation efforts directed by AB 900 and the recommendations made by the Expert Panel.
- Approved \$5 million GF appropriated in AB 900 to develop and implement the Proof Project to demonstrate full implementation of the California Logic Model at California State Prison, Solano.
- Approved \$1 million GF to augment the Office of Research to enhance collection, validation, and reporting of data associated with AB 900.
- Approved \$961,464 GF to implement the Education for Inmates Reporting and Statewide Tracking System.
- Approved reduction of \$9.3 million GF to reflect the redirection of \$9.3 million in Workforce Investment Act funds to parolee employment programs.

Health Care Highlights

- Approved \$110 million GF for health care access units directed by the Receiver. This funding will mainly support additional custody positions to ensure inmates are escorted to appointments within the prison.
- Approved \$89.3 million GF for medical guarding and transportation directed by the Receiver. This funding will support additional custody positions and overtime to ensure access to medical care outside state prison.
- Approved \$45.8 million GF for additional pharmaceutical and medical supplies directed by the Receiver.
- Approved \$8.6 million GF to support the operation and start-up of a central fill pharmacy directed by the Receiver.
- Approved \$2.3 million GF to support a pilot medical oversight program established by the Receiver to provide oversight of the performance of prison clinical staff.
- Approved \$1.6 million GF to establish a new Third Level Health Care Appeals Unit under the direction of the Receiver to review all third-level appeals related to health care.
- Approved \$12.5 million GF to establish supervising nurse positions directed by the Receiver.
- Approved \$22 million GF to support the California Prison Health Care Receivership Corp.
- Approved the budget proposal to establish 408 additional positions and reclassify existing staff to implement the workload study completed for the Mental Health Services Delivery System Revised Program Guide. This workload study was court-ordered to comply with the *Coleman* lawsuit. This proposal was modified to redirect three positions to the Department of Mental Health to help plan for the provision of additional acute mental health care in CDCR institutions.
- Approved \$5 million GF for ongoing lease costs and one-time tenant improvements to relocate and consolidate the Division of Correctional Health Care to a new office facility.
- Approved \$2.6 million GF to support 19 dental positions and training for CDCR nurses and doctors in recognizing major dental-related issues. The majority of these positions are court ordered in the *Perez* lawsuit.

Local Assistance Highlights

- Approved reduction of \$2.7 million GF to reflect the Governor's proposal to not provide an increase to the daily jail rate paid to counties in the budget year.
- Approved \$2.1 million GF to increase the funding to cover all county claims for county coroners, district attorney costs, and other local costs related to the state prison system.

- Deleted \$41 million GF for the Mentally Ill Offender Crime Reduction Grants to local law enforcement.
- Deleted \$181 million GF for the Juvenile Probation and Camps Funding to local law enforcement.
- Approved trailer bill language to require counties to submit annual reports on expenditure of the Youthful Offender Block Grant.

Other Highlights

- Approved \$8.2 million GF to ensure more efficient and timely parole suitability hearings for inmates sentenced to life terms and to comply with the *Lugo* lawsuit. Approved trailer bill language to add three additional commissioners to the Board of Parole Hearings.
- Approved reduction of \$2.5 million GF that will result from increased case records positions needed to ensure the correct calculation of prison release dates. The additional case records positions will cost the state \$5.2 million, but they are expected to save the state approximately \$7.8 million as a result of correcting the prison release dates which in most cases result in reducing days served.
- Approved \$3.5 million GF to establish a new contract to provide CDCR staff with TB and Hepatitis B vaccinations. This function is no longer being provided by CDCR clinical staff per the Receiver.
- Approved \$14.1 million GF to comply with the *Armstrong* lawsuit related to compliance with the Americans with Disabilities Act.
- Approved revision to the Consolidated Information Technology Project that results in \$37.4 million GF savings in the budget year.
- Approved reduction of \$40 million to correctional officer recruitment and training, mainly due to the deactivation of the Correctional Training Center Annex.
- Approved trailer bill language to authorize the Prison Industry Authority to sell its products to statutorily recognized not-for-profit organizations.

Infrastructure Highlights

- Approved trailer bill language to clarify that expenditures made to prepare pre-planning capital outlay budget proposals for projects authorized by AB 900 should be reimbursable from AB 900 lease revenue bond financing.
- Approved \$3 million GF for advance planning and budget packages for future capital outlay projects and budget bill language to allow these funds to be used for developing AB 900-funded projects.

- Approved \$6 million GF for due diligence activities for potential re-entry sites and approved budget bill language to authorize the acquisition of an option to purchase real property with these funds. Also approved trailer bill language that requires counties to reimburse the state for due diligence expenditures on properties that cannot be used for re-entry if the county should have reasonably known the site was unsuitable.
- Approved \$136 million lease-revenue bonds to provide additional funding needed to complete construction of the Condemned Inmate Complex at San Quentin State Prison.

0552 Office of the Inspector General

- Approved net increase of \$1.5 million GF to support additional workload for the Bureau of Audits and Investigations.
- Approved \$1.8 million GF for new court ordered functions related to the *Madrid* and *Plata* lawsuits.